Internet Financial Reporting By Commercial Banks in Nigeria

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Business managers have continuously found the need for Internet in business activities. The areas of need include marketing and advertisement of products and services, sales and order fulfilments, purchases payment supports, filing of tax returns and so forth.

Another new area, which managers now take advantage of is Internet financial reporting. Using the Internet for this purpose gives rise to the following opportunities:

- It reduces the cost of providing and accessing corporate financial data by both the producers and users by using an established network structure that all can participate in easily.
- It offers instant results in contrast to paper versions and access to data can be made at convenient times to the users.
- It offers dynamic updating features, which addresses the problem of timeliness of information.
- It provides access to greater volumes of data than previously possible.

Some of the questions that readily come to mind are: how many banks have websites in Nigeria? How many of those banks that have websites have financial information posted on them? Do banks report current annual accounts and notes on their websites? Do banks report interim financial reports on their websites? Do banks report their 5 year financial summary in the websites? Do they post current Auditors' Reports on their websites? Do banks report online real time movement of their share prices on their websites?

The objective of this study therefore, is to investigate the level of internet usage and types of financial information that listed Commercial Banks post on their websites for users of their accounts.

The rest of the paper is divided into 4 sections. Section 2 is on review of related literature, while section 3 is on research methodology. Section 4 is on findings and discussions, while section 5 is on conclusion and recommendation.

Review of Related Literature

The International Federation of Accountants (IFAC) on the 28 of August 2002 released a paper in which it urged management and directors to develop an Internet Reporting Policy, which must include the following:

- The type of financial information to appear on a corporate website and the format in which that information will be provided
- tow to differentiate between audited and non-audited financial information, as well as between information that is subject to securities and market regulation, and information that is meant to supplement what is required.
- the use of hyperlinks
- the frequency of changes to or updated to financial information and
- Control issues such as the approval of financial information that ultimately appears on corporate websites and the security infrastructure.

In a study by Ashbaugh and Warfield (1999), of companies which practice Internet Financial Reporting (IFR), it was discovered that 70% of the sampled firms engaged in it. However, the financial performance information reported by these firms varied substantially in the timeliness of online reporting, and hence its usefulness. In their report, Eltredge, Richandson and Scholz (2001) revealed that websites were determined by the relative sophistication of the firm's particular user base. In his own investigation on IFR of United Kingdom firms, Lymer (1997) discovered that 60% of the samples implemented IFR and that unaudited interim accounts were mostly posted on their websites. Bremnan and Hourigan (1998) reported that 65% of samples of listed firms on the Irish Stock Exchange were IFR firms, but location of online financial information was not always obvious and that the format and contents of financial information generally were not adapted to the new reporting medium. In another study by Pak-Lok, Li and Yuen (2002) in Hong Kong, one hundred top companies in terms of market values and turnovers in the past 12 to 24 months to April 2002 were sampled. The result is presented below: (Table 1)

Table 1: **The Distribution of Different Types of Online Financial Information by IFR Firms in Hong Kong.**

Types of Online Financial information	Percentage of IFR Firms
Annual Reports	100%
Interim Reports	89%
Annual or Interim Results	85%
Real- Time Share Price Movement	28%
Historical Dividend Per Share	16%

Source: *Pak-Lok, Li and Yuen (2002)*

Smith and Peppard (2005), asserted that for IFR firms, the content of their report should be unambiguous, timely and relevant to the need of existing and potential users. It should comprise both financial and non-financial information, clearly distinguishing between current and historical information. They conducted in their work the benchmark of IFR practice of public liability companies in Ireland, against international best practices, and found that no single company quoted on the Irish Stock Exchange met all the criteria listed, and many had room for improvement.

In his work, Pervan (2002) sampled 38 firms quoted on the Croatian Exchange. Of the sample, 20 had IFR while 18 did not. Those that used IFR on the whole published their annual reports together with the auditors' reports. Most of the companies used the PDF format for the reports published. Firms that used IFR, it was also found, were more profitable and their shares were more actively traded.

Debrencency, Gray and Rahma (2002) investigated the presentation and content of IFR of six hundred and sixty large firms in 22 countries, to identify the firms and environmental determinants of IFR. The study revealed that firm size; listing on US Stock Exchange and Technology were specific determinants. The presentation aspect of IFR was more associated with the identified determinants than the content of IFR, which suggests that Internet presentation technologies were more related to the determinants than the contents of the reports on companies' websites.

In another cross country study where detailed dates on websites characteristics were collected for two hundred and seventy companies located in 6 countries (Australia, Belgium, France, The Netherlands, South Africa and the UK), and using univanate and multivanate analysis, Boller, Geering and Hanssik (2006), reported that variables like: company size, level of internationalisation (foreign listing and foreign revenues), proportion of shares available to individual investors and disclosure environment are significantly related to the extent of investor related activities on the internet.

Xiao, Jones and Lymer (2002) studied the responses of 17 UK experts in ccounting and Internet. The experts were drawn from academics, auditing firms, regulators, reporting companies and users of corporate reports. The result revealed that while these experts concurred on some issues, they provided a range of different views on others. Some were technology driven, whereas others paid more attention to non-technological factors such as resistance to technological changes, users' reluctance to read financial reports and slow reaction to regulators.

The results of a survey of top 99 Japanese companies that engaged in IFR in 1998 by Marston (2003), showed that majority of the companies (78) had a website in English and that of these, 68 reported some financial information with 57 providing detailed accounting information. There was no significant relationship between profitability, industry group and overseas listing status and Internet disclosure.

The study of the largest companies in UK in 1999 and their disclosure on the internet by Craven and Marston (2003), revealed that there is a statistically significant positive relationship between the size of a company and the use and extent of disclosure on the internet. There was no significant association between industry type and disclosure.

Growthorp and Amat (1999) described the current (1998) level of usage of internet communication technologies by Spanish quoted companies for communication of financial and other information to interested parties. An investigation by Pervan (2006), which compared stocks listed on the Croatian and Slovene Stock exchange market showed that Slovene corporations had a statistically significant higher level of financial reporting (as measured by IFR score). The IFR score for 55 corporate entities from Croatian was just 6.85, compared to the average score of 17.73 for 30 Slovene firms. The second aspect of the study was explanatory. With respect to the Croatian sample, it was discovered that the IFR score was statistically significant and positively correlated with size, profitability, number of shareholders and the amount of traffic in the stock market. It was also revealed by regression analysis that majority of foreign ownership had a positive effect on IFR score.

Pinchegger and Wagenhofer (1999) analysed the use of the internet to present financial information by Austrian companies listed in most liquid market segment of the Vienna Stock Exchange. The study covered 2 points in time: December 1997 and 1999, respectively. The scores of these firms were analysed across firms and overtime and were compared with those of 30 German DAX companies. The results showed that Austrians large companies and companies with higher percentages of free floats scored higher.

The work of Probal and Sudipta (2007) studied two hundred and sixty eight companies listed on the Dhaka Stock Exchange and the Chittaogong Stock Exchange. The results showed that only 38.81% of the sampled firms had a web. In the scoring scheme developed to ensure the level of online corporate reporting, it was discovered that a wide variation existed in the level of online reporting across 15 sectors. The highest-ranking sector was the banking, leasing and finance.

Research Methodology

The population of this study covered all the licensed commercial banks listed on the Nigerian Stock Exchange, which are currently 23 in number. The 13 sampled banks cut across the different sizes and age in the industry so that the result of the study can validly represent the whole population. The sampled banks were randomly selected from each stratum. The banks selected were those that fairly retained their identities before and after the January 1 2006 consolidation exercise. Selected were 5 'old' generation banks, in addition to 4 'new' generation banks and 4 'up-coming' (that is, neither old nor new) banks. In all, the sampled banks had combined shareholders' funds of N1.690 million, combined total assets of N11.791 million, and combined gross earnings of N1.209 million and combined total deposits of N9.037 million as at the end of 2008.

The website addresses of the sampled banks were collected from various sources such as the banks' published financial statements and publications by the Nigerian Stock Exchange and the Central Bank of Nigeria (CBN). The data were collected from visits to these identified web addresses between the months of September and November 2008. This was deliberately done, as Nigerian banks do not have a uniform accounting date. The data collected were then described using simple percentages in order to be in line with previous works on this topic.

Findings and Discussions

This section presents and discusses the result of the data collected and analysed. (Table 2)

It is clear from the above that all the sampled banks had websites. This is contrary to the findings of Lymer where just 60% of the sampled firms implemented IFR, and that of Ashbaugh and Warfield that 70% of the sampled firms engaged in IFR. All the banks had website facilities (attributed partly to due to the January 2006 recapitalisation exercise of minimum issued share capital from N2 billion to N25 billion) that led to banking consolidation and reduction in the number of commercial banks from 89 to 25, and later to 23. With consolidation, came stiff competition and huge investments in Information Communication and Technology (Sanni, 2008) with its attendant benefits.

Table 2: **Distribution of Financial Information on Websites visited.**

Types of websites/ Financial information	Total sampled	No of IFT Firms	Percentage
1. Website presence.	13	13	100%
2. Financial information.	13	10	77%
3. Current annual accounts and notes.	13	05	38%
4. Interim results.	13	03	23%
5. Five-year financial summary.	13	05	38%
6. Auditors reports	13	04	31%
7. Online share price movement.	13	02	15%

Source: Computations by the authors.

Majority of the sampled banks in the study engaged in one form of Internet financial reporting or the other. This is quite in agreement with the earlier works of Ashbaugh and Warfield, Lymer and Bremnan and Hourigan. Just like in the earlier works, not all the sampled firms fully complied with all the requirements.

Most of the sampled banks (62%) did not feature their current annual Accounts and notes in their websites. Where current annual Accounts were shown, accompanying notes were not shown. This is contrary to the findings of Pak -Lok, Li and Yuen, which showed that all the top one hundred companies in Hong Kong provided annual reports in their websites. The non availability of current annual accounts by the sampled Nigerian banks might be due to the fact that it sometimes takes some months after the financial year for most firms to prepare their audited financial statements.

Only a small percentage (23%) of the sampled IFR banks featured their interim financial reports online, contrary to the findings of Pak -Lok, Li and Yuen, where the bulk (89%) of the sampled firms featured theirs. While not justifying the Nigerian situation, it must be pointed out however, that the economy of Hong Kong is far more developed than that of Nigeria. A positive correlation however, exists between the number of sampled Nigerian banks that did not feature their current annual accounts (62%) and those that did not feature their interim financial reports online (77%).

More than 1/3 (38%) of the sampled banks had their 5-year financial summary online. This is quite expected as only 38% of the sampled banks were able to post their current annual accounts and notes (which must statutorily contain 5 year financial summary) on line.

It is also observed that less than 1/3 (31%) of the sampled banks featured their Auditors' Reports online. Though the percentage of the sampled banks that featured their current annual accounts and notes is quite small (38%), one would have expected all of them to feature their Auditors' Reports, being a statutory requirement. The finding here negates that of Pervan, whose finding showed that all the Croatian firms that published their annual reports online did so with their Auditors' Reports.

Majority of the sampled banks (85%) did not report their share price movement real time online. This is consistent with the findings of Pak -Lok, Li and Yuen, where 72% of the sampled companies in Hong Kong did not. Reason for this might be due to the fact that share price movement is not a statutory requirement. It is however observed that most of the companies that show their end of the financial year share price quotations are blue chip companies in the banking and brewery sectors of the Nigerian economy.

It is also observed that less than 1/3 (31%) of the sampled banks featured their Auditors' Reports online.

Conclusion and Recommendation

The study revealed that all the sampled banks have presence on the Internet, and that majority of them are Internet reporting firms. However, we discovered that only very few of these banks feature information that is comprehensive enough to be useful to users of accounts, and that most of the information posted on the websites is already stale. Most information on Nigeria banks' websites are mainly on services provided by these banks. Information on share price movements, earnings per share and dividend per share are not provided.

Though, we appreciate the fact that aggressive investment in ICT started in Nigeria in 2006, with the consolidation in the banking sub-sector of the economy, Nigeria can not avoid to be left behind technologically, more so, that the world has become a global village with the abundant benefits of the internet. In order to assist academic researchers and other users of financial statements, we recommend that Nigerian banks should overhaul the IFR section of their websites in line with the best globally accepted practices, in order to fulfil their objectives and those of users of financial information. epr

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